Dear shareholders

Basel, 31 March 2021

Unfortunately, we will not be able to welcome you personally at the 2021 annual general meeting. The protective measures to contain the coronavirus pandemic do not allow for this. However, we would like to take this opportunity to address you with this letter and give you some summary explanations on the agenda items. In addition, we would like to provide you with a brief overview of recent developments at Basilea. Importantly, we quickly adjusted to the coronavirus pandemic in all operational areas and were able to stay fully operational throughout the entire time. Basilea did not have to introduce short-time work or restructuring due to the pandemic and has not applied for any state aid.

We have already presented the most important milestones in 2020 in detail in our annual report. To complement the English full report, for the first time we have produced a German shortened report. This contains the most important information on our financials, our products and pipeline, our governance, our activities in the area of corporate social responsibility, on compensation and we look back at 20 years of Basilea. It also includes an interesting story featuring a practicing oncologist, dedicated to the important topic of treating patients with gastric cancer. With this shortened report, we would like to offer our German-speaking shareholders the opportunity to gain an overview of the most important developments in the past year in a more compact form. Both reports, the English full report and the German shortened report, are of course available as usual for downloading from our website basilea.com. Printed copies can also be ordered from us using the enclosed form.

Summary explanations on the agenda items

The agenda items for this year's annual general meeting are the standard proposals you are familiar with from previous years. However, we would like to highlight the agenda items relating to compensation. As shown in the compensation report, the board of directors has intensively examined the compensation system in recent years in order to make it more transparent and align it even better with the long-term interests of shareholders. For this year's annual general meeting, the board is therefore proposing - whilst total board compensation remaining unchanged - to replace the cash-only compensation of the board with a combination of fixed cash compensation and an equity component (agenda item 6a). This approach is also followed by most other companies listed in Switzerland. The proposed total compensation for the management committee (agenda item 6b) also remains unchanged compared to the previous year. At last year's annual general meeting, the shareholders had already approved the harmonization of the budget periods for the fixed and for the variable compensation of the management committee and set the calendar year as the unified budget period. We are now implementing this shareholder resolution, which results in a correspondingly simpler proposal concerning management committee compensation than in previous years. In addition, the board is implementing a fundamental change to the long-term incentive plan. The change from stock options to Performance Share Units (PSUs) significantly reduces the potential dilution of shareholders. At the same time, the board is linking the PSUs to two clearly defined performance criteria over the three-year performance period. The first one is the so-called relative Total Shareholder Return (rTSR), i.e. the development of the Basilea share price in relation to the Swiss Performance Index Extra. The second performance criterion relates to the sustainable growth of Cresemba, our current main revenue driver. With these two clearly measurable criteria, the board believes that the performance-based compensation of the management committee becomes more transparent and is aligned with the long-term interests of the shareholders.

Recent developments at Basilea

The positive development for our marketed products and in our pipeline has continued since the beginning of the year. Due to continued strong Cresemba sales, we received a milestone payment of USD 10 million from our license partner Pfizer in February. We also reported significant progress within our oncology portfolio. Topline results presented in February for the first patient cohort in the FIDES-01 study provided the proof of concept for the efficacy of our FGFR inhibitor, derazantinib, as monotherapy in patients with bile duct cancer and FGFR2 gene fusions. Initial positive data were reported for the second cohort of patients in the FIDES-01 study whose tumor shows other FGFR2 genetic aberrations. In addition, we announced that based on positive preclinical results, we hope to advance another cancer drug candidate into clinical development within one year.

Over the next twelve months, we expect to publish further clinical data for our oncology drug candidates. Positive results would open up a number of interesting strategic opportunities for us to optimize long-term value creation, ranging from full out-licensing, to co-development with a partner, to Basilea continuing ourselves towards the next key development milestones. In order to make optimum use of these opportunities, it is necessary to have sufficient financial flexibility. Accordingly, obtaining additional financial resources was an important reason for the capital increase carried out in February, which generated gross proceeds of around USD 46 million. In view of the intended expansion of the institutional shareholder base, including those specializing in the healthcare sector, the board had excluded the subscription rights for existing shareholders, in accordance with the articles of association. As the objectives of the transaction, i.e. the expansion of the institutional investor base and an increase in financial flexibility for the further development of our oncology pipeline, could be achieved, we decided after careful consideration, to execute the capital increase. Postponing it to a later point in time would not have been responsible in our view, because especially in these volatile times, no one can predict whether the transaction could have been executed within a useful timeframe on better terms, or at all. If we now succeed in optimizing the value from our various projects, also using the additional financial resources, this should be reflected in a positive share price performance. Our goal is to create sustainable value - for all shareholders, both existing and new ones. The sale of our Chinese subsidiary, with 72 employees and all buildings and facilities, should also be seen in this context. This transaction, which was executed in February, increases our flexibility in the procurement of external research and development services and helps us to adapt our cost structure to our respective projects.

We hope that our summary explanations will help you to appreciate the proposals of the board for the upcoming annual general meeting and we would be pleased if you would support them with your vote.

Sincerely,

Domenico Scala	David Veitch
Chairman of the Board of Directors	CEO